

# Arizona Department of Economic Security Vocational Rehabilitation Services Program

Department should enhance its processes for managing rehabilitation service costs and clients' progress

Performance Audit

January 2017  
Report 17-101

A Report to the Arizona Legislature

Debra K. Davenport  
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

## The Joint Legislative Audit Committee

Senator **Bob Worsley**, Chair

Senator **Sean Bowie**

Senator **Judy Burges**

Senator **Lupe Contreras**

Senator **John Kavanagh**

Senator **Steve Yarbrough** (ex officio)

Representative **Anthony Kern**, Vice Chair

Representative **John Allen**

Representative **Rusty Bowers**

Representative **Rebecca Rios**

Representative **Athena Salman**

Representative **J.D. Mesnard** (ex officio)

## Audit Staff

**Dale Chapman**, Director

**Dot Reinhard**, Manager and Contact Person

**Stephanie Grosvenor**, Team Leader

## Contact Information

**Arizona Office of the Auditor General**

**2910 N. 44th St.**

**Ste. 410**

**Phoenix, AZ 85018**

**(602) 553-0333**

**[www.azauditor.gov](http://www.azauditor.gov)**



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

January 24, 2017

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Henry Darwin, Interim Director  
Arizona Department of Economic Security

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Arizona Department of Economic Security—Vocational Rehabilitation Services Program*. This report is in response to an October 22, 2014, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the Department agrees with all of the findings and plans to implement or implement in a different manner all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport  
Auditor General

Attachment



## Arizona Department of Economic Security Vocational Rehabilitation Services Program

**CONCLUSION:** The Arizona Department of Economic Security (Department) operates the State's Vocational Rehabilitation Services Program (Program), which is primarily funded by federal grant monies. The Program is responsible for assisting clients with a significant physical or mental impairment to prepare for and find work on a full- or part-time basis. However, the Department had a higher average rehabilitation cost and a lower rehabilitation rate than comparable agencies in other states. This high cost limits the number of eligible clients that the Department can serve. In addition, because the Program's goal is to help eligible clients obtain or retain competitive employment, it is also important for the Department to work toward increasing its rehabilitation rate. Therefore, the Department should enhance its program oversight, staff guidance, and supervisory and staff training to effectively manage program costs and clients' progress.

### Program's goal is to assist clients find employment

The Program's goal is to help clients with disabilities obtain competitive integrated employment where they receive the same wages, benefits, and opportunities for advancement, and have the same interaction with customers as employees who are not disabled. Federal grant monies generally cover 78.7 percent of the costs of vocational rehabilitation programs, and the states cover the remaining costs. The Department's fiscal year 2017 program expenditures are estimated to total nearly \$137.9 million with administrative expenditures accounting for more than \$39.6 million of this amount. The Department's program counselors help each eligible client develop their own employment plan, which includes the types of rehabilitative services the client needs to achieve the employment goal. Services include educational, medical, and work assessments; job search and placement assistance; vocational and other training; and technological equipment or services, such as captioned videos or vehicle modifications. The Department can consider a client's ability to help pay for the cost of some services and must also determine the availability of "comparable benefits," which are services that can be paid for by other federal, state, or local public agencies; by health insurance; or by employee benefits.

### Department should enhance processes for managing rehabilitation service costs and clients' progress

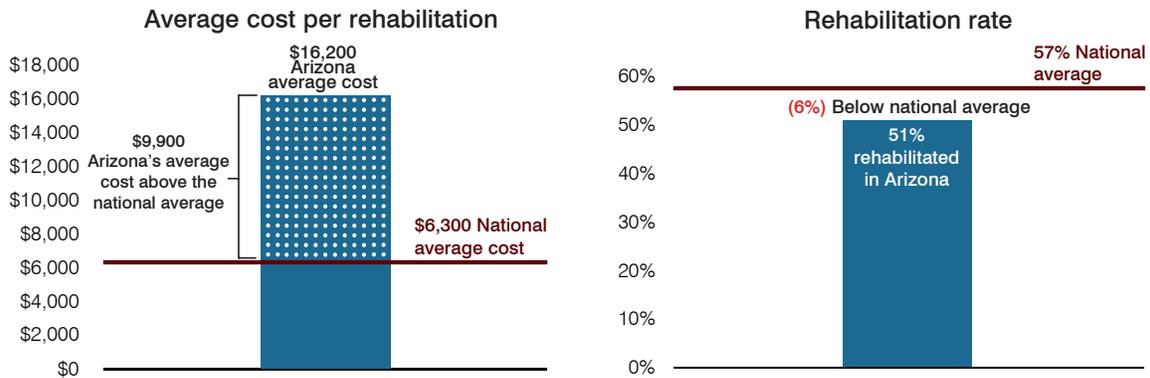
**Arizona had higher rehabilitation cost and lower rehabilitation rate**—In federal fiscal year 2015, of the 32 comparable agencies (agencies in other states and territories), Arizona's average cost per rehabilitation of approximately \$16,200 was more than 2.5 times the comparable agencies' average of approximately \$6,300. Guam had the next highest average cost per rehabilitation of approximately \$13,100.

Although not reported by the federal government, we also found that the Department had some higher-than-average costs for clients who exited the Program without an employment outcome. Specifically, our analysis of the 10,526 cases that the Department closed during federal fiscal years 2014 and 2015 found that 7,963 of these cases, or approximately 76 percent, left the Program without an employment outcome, including 197 clients who had program expenditures in excess of \$16,200.

Arizona's rehabilitation rate of 51 percent was also lower than the 32 comparable agencies' average of 57 percent in federal fiscal year 2015. Rehabilitation rates ranged from approximately 29 percent for the District of Columbia to 100 percent for American Samoa.

**High program costs affect number of clients served**—Because there are more eligible clients than the Department can serve, it prioritizes them on a waiting list—as required by the federal government—with the most significantly disabled served first. As of December 1, 2016, nearly 2,800 eligible clients were on the Program's waiting list. However, if Arizona's average cost per rehabilitation was the same as the national average for comparable agencies—approximately \$6,300—it could have paid for approximately 2,090 additional successfully rehabilitated cases in federal fiscal year 2015.

## Comparison of Arizona's average cost per rehabilitation and rehabilitation rate against the national averages for combined program agencies Federal fiscal year 2015



### Department lacks some oversight and training to effectively manage program costs and clients' progress—

Program counselors are authorized to approve up to \$25,000 in employment plan rehabilitation service costs per client, and supervisors can approve up to \$50,000 total. However, the counselor expenditure authorization level is too high to adequately control program costs. Instead of blanket authorizations, other states have limits on the types of services that staff can approve, such as a counselor approving a maximum of \$3,500 for dental restoration services. Similarly, the Department was developing a "service authorization threshold" guide for counselors in October 2016 that showed services by category and, as of November 2016, planned to develop similar guidance for its supervisors and managers. In addition, although federal law allows states to establish reasonable expenditure and time limits for clients to receive services, the Department has not established such limits.

The Department began to review some program data on case costs in August 2016, but it has not used its other data to analyze where program changes are needed, such as why cases close without an employment outcome or the length of time a client spends in the Program. Additionally, the Department does not provide any supervisory training for department program supervisors, such as trainings that would help with expenditure approvals, help staff meet program requirements, and ensure that client employment plans are well-developed.

### Some staff guidance lacks details, and staff training is limited—

The Department's Vocational Rehabilitation (VR) manual has general information about using assessments to determine employment plan services to provide to clients, but the eligibility and employment plan development chapters lack guidance on the specific assessments to conduct for these activities. In addition, the VR manual does not have sufficient information about examples of potential comparable benefits that counselors should research or how counselors should document their search for comparable benefits. We identified a case where the Department spent nearly \$167,000 on services for a client who had private health insurance, but the client's file lacked documentation of the search for comparable benefits.

Further, the Department lacks adequate guidance and oversight for educational and vocational training. Other states require supervisory approval for a client to attend a 4-year university, have more guidance regarding monitoring progress for clients who are pursuing educational or vocational training, and have more guidance regarding the purchasing or leasing of textbooks, computers, and supplies.

Finally, although the Department has training materials for its program counselors, this training is being revised, some counselors have not received it, and the training material is not referenced in the VR manual.

## Recommendations

The Department should:

- Continue efforts to establish lower expenditure authorization levels by service categories and move away from blanket authorization levels;
- Better monitor case costs and the time clients are in the Program;
- Revise its VR manual to improve guidance on assessments, comparable benefits, and educational and vocational training; and
- Develop and implement supervisory trainings and continue its efforts to revise staff trainings.



# TABLE OF CONTENTS

<b>Introduction</b>	1
<b>Finding 1: Department should enhance processes for managing rehabilitation service costs and clients' progress</b>	9
Program works with clients to help them achieve employment	9
Arizona had higher rehabilitation cost and lower rehabilitation rate than comparable agencies	10
High program costs affect number of clients served	11
Department lacks some oversight and training to effectively manage program costs and clients' progress	12
Some staff guidance lacks details and staff training is limited	14
Recommendations	17
<b>Appendix A: Methodology</b>	a-1
<b>Agency Response</b>	
<b>Tables</b>	
1 Service category descriptions and the number of individuals receiving services and expenditures within each category Federal fiscal year 2016 (Unaudited)	4
2 Schedule of revenues and expenditures Fiscal years 2014 through 2017 (Unaudited)	7
<b>Figure</b>	
1 Comparison of Arizona's average cost per rehabilitation and rehabilitation rate against the national averages for combined program agencies Federal fiscal year 2015	11





## Scope and objectives

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security's (Department) Vocational Rehabilitation Services Program (Program), pursuant to an October 22, 2014, resolution of the Joint Legislative Audit Committee. This audit is the first in a series of five audits conducted as part of the sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq. This audit reviewed data for the 10,526 program client cases that were closed during federal fiscal years 2014 and 2015, and provides recommendations for improving the Department's program case management processes, including increasing its oversight of rehabilitation service costs and clients' progress, and enhancing its staff guidance and training.

Other department audits will focus on childcare provider monitoring, and complaint-handling processes; information technology security; licensing and oversight of homes for the developmentally disabled; and the statutory sunset factors.

## Department administers Vocational Rehabilitation Services Program

The Department is responsible for administering the Program, which has a goal to help individuals with disabilities prepare for, enter into, or retain competitive integrated employment (see textbox). The Program is primarily funded by federal grant monies, which are provided to states to assist them in delivering vocational rehabilitation services to individuals with disabilities. The federal government generally covers 78.7 percent of the costs for these services, and the states cover the remaining portion. To administer the Program, including personnel costs and client rehabilitation services, during state fiscal year 2017, the Department's expenditures are estimated to total more than \$137 million (see pages 6 through 7 for more information on the Program's revenues and expenditures).

The Department's program administration activities include:

- **Determining program eligibility**—The federal government establishes program eligibility requirements, but the Department's program staff (counselors) determine whether individuals are eligible for the Program based on those federal requirements. As of October 31, 2016, the Program had approximately 2,200 individuals in the application or eligibility determination status.

To be eligible for the Program, applicants:

- Must have a physical or mental impairment that substantially impedes their ability to obtain or retain employment; and
- Should be able to secure, retain, or regain employment after receiving vocational rehabilitation services.

**Competitive integrated employment**—The individual with a disability works on a full- or part-time basis and:

- Receives the same wages and benefits the employer provides for the same or similar work performed by individuals who are not disabled;
- Interacts with other employees and customers to the same extent as employees who are not disabled and in comparable positions; and
- Has opportunities for advancement that are similar to employees who are not disabled and have similar positions.

Source: Auditor General staff analysis of 34 Code of Federal Regulations (CFR) 361.5(c)(9).

According to a federal draft performance document for federal fiscal year 2015, Arizona's Program, similar to the federal vocational rehabilitation services programs administered in 25 other states and 6 territories, is a combined program, meaning that it does not exclusively serve individuals with visual impairments or blindness.<sup>1</sup> Auditors' assessment of the 10,526 cases the Department closed during federal fiscal years 2014 and 2015 found that approximately 69 percent of individuals served had a mental disability, nearly 20 percent had a physical disability, and approximately 9 percent had a sensory disability. Approximately 2 percent of the cases did not have a disability listed.

The federal government requires that the Department determine eligibility within 60 days after an individual submits an application, unless the Department and applicant agree to an extension. However, according to the Office of the Auditor General's fiscal year 2015 Single Audit for the State of Arizona, the Department did not meet this requirement for 11 of the 40 applications reviewed.<sup>2</sup> Specifically, this report noted that the Department took between 66 and 192 days, or an average of 128 days, to determine whether these 11 applicants were eligible for the Program or to close their cases. The Department's response to this report indicated that it will continue to intensely monitor, manage, and ensure that staff understand and adhere to applicable eligibility policies and procedures in order to meet the eligibility compliance requirements.

- **Establishing an order of selection and waiting list**—The federal government requires that states provide services to all eligible individuals and if a state does not have the fiscal and personnel resources to do so, that it establish, in its state plan, the order it will follow in selecting eligible individuals to be served.<sup>3</sup> The federal government requires that states' order of selection ensure that the individuals with the most significant disabilities will be served first. Arizona, like 16 other combined program agencies, has established a prioritized order of selection (see textbox for Arizona's order of selection).

Because it cannot serve all eligible individuals, the Department places eligible individuals on a waiting list. According to department program administrators, Arizona's waiting list has been in place since fiscal year 2009, and since that time, Arizona's Program has been able to serve only individuals who fall under the Priority 1 category. As of December 1, 2016, there were nearly 2,800 individuals on the Program's waiting list. Most of the individuals—2,330—were priority 2; and the remaining individuals—459—were priority 3.

According to the Joint Legislative Budget Committee's *Fiscal Year 2017 Appropriations Report*, the Department's fiscal year 2017 budget for the Program includes an increase of \$2.45 million, with \$2 million coming from State General Fund monies, to allow it to serve approximately 2,900 eligible individuals on the waiting list. According to the Department, based on the financial resources it received, in November 2016, it began releasing 100 individuals in the Priority 2 category from the waiting list into the Program and informed the State Rehabilitation Council of its efforts to serve individuals on the waiting list (see textbox on page 3).

#### Arizona's order of selection

- **Priority 1:** An eligible individual with a most significant disability that presents three or more serious limitations to the individual functioning in a work setting.<sup>1</sup> Individuals in this category will require multiple vocational rehabilitation services that are anticipated to last longer than 6 months.
- **Priority 2:** An eligible individual with a significant disability that presents one or more serious limitations to the individual functioning in a work setting. Individuals in this category will require multiple vocational rehabilitation services that are anticipated to last longer than 6 months.
- **Priority 3:** All other individuals eligible for vocational rehabilitation services who have not been found to meet the criteria for Priority 1 or 2.

<sup>1</sup> Limitations include mobility, communication, self-care, self-direction, interpersonal skills, work skills, and work tolerance impediments.

Source: Auditor General staff analysis of the Department's Vocational Rehabilitation Policy and Procedure Manual and 34 CFR 361.5 (c)(30).

<sup>1</sup> In addition to states, the following territories are also included in the count of combined program agencies: American Samoa, District of Columbia, Guam, Northern Marianas, Puerto Rico, and the U.S. Virgin Islands.

<sup>2</sup> This finding was similar to the prior fiscal year's finding.

<sup>3</sup> Each state wanting to receive federal program monies must develop a state plan that describes the state's vocational rehabilitation services program. The federal government must approve the state plan.

- **Developing an employment plan**—Once an applicant is determined eligible, counselors must work with the eligible individual to develop an Individualized Plan for Employment (IPE). The IPE is a written program designed to achieve a specific employment outcome that, according to federal regulations, is “selected by the individual consistent with the individual’s unique strengths, resources, priorities, concerns, abilities, capabilities, interest, and informed choice.”<sup>4</sup> The IPE will include the specific rehabilitative services (see next bullet for examples of services) needed to achieve the employment outcome, timelines for achieving the outcome, criteria for evaluating progress, and state program and individual client responsibilities for achieving the outcome.

### State Rehabilitation Council

In 1993, Arizona established an advisory council to advise the Program related to specific responsibilities, such as eligibility (including the order of selection), and the extent, scope, and effectiveness of services.

The Governor appoints members to the Council after soliciting recommendations from organizations representing a broad range of individuals with disabilities and organizations interested in individuals with disabilities. The Council shall have a minimum of 15 members and a maximum of 27 members.

Source: Auditor General staff analysis of information in the State Rehabilitation Council’s Bylaws.

The federal vocational rehabilitation services grant requires that an IPE be developed within 90 days after an individual is determined eligible, unless the Department and applicant agree to an extension. However, according to the Office of the Auditor General’s fiscal year 2015 Single Audit for the State of Arizona, the Department did not meet this requirement for two of the ten case files tested. Specifically, this report noted that the Department took 93 days to develop the IPE for one of these cases and 102 days for the other case. The Department’s response to this report indicated that it will conduct several activities to help it meet this requirement, including developing and implementing additional training, requiring the use of automated system alerts, and requiring that managers review biweekly reports related to untimely cases to identify trends.

- **Providing and/or referring individual to services**—The Program must provide a wide range of services to help individuals with disabilities achieve their employment outcomes. As of October 31, 2016, there were more than 9,400 program clients receiving services. Program staff provide some services, and many other services are provided through contracted service providers. Services available to clients include assessments; job-related services, such as placement services; transportation expenses that are necessary to enable an applicant or eligible individual to participate in vocational rehabilitation services; and vocational training services (see Table 1, page 4, for more examples). In federal fiscal year 2016, the two service categories program clients most commonly used were assessments and vocational and other training, and two of the lesser-used services were personal assistance and interpreter services.

However, services will vary based on an individual’s disabilities and his/her IPE goal (see textbox, page 5, for examples of the services included in two individuals’ IPEs).

- **Considering an individual’s ability to help pay for services**—When identifying services the individual will need to achieve his/her IPE goal, the Department considers an individual’s ability to help pay for the cost of some of the program services provided. Although there is no federal requirement that financial need be considered in providing rehabilitative services, a state may choose to do so for many services as long as the requirements the state establishes do not result in denying an individual a necessary service. In addition, the state is required to maintain written policies regarding the process it uses to consider an individual’s ability to pay.<sup>5</sup> Federal requirements stipulate certain services where the state cannot consider an individual’s ability to help pay for services, including assessment services for determining eligibility; vocational counseling and guidance; and job search, placement, and retention services.<sup>6</sup>

<sup>4</sup> 34 CFR 361.45(b)(2).

<sup>5</sup> 34 CFR 361.54(b)(2)(i).

<sup>6</sup> 34 CFR 361.54. In addition, states may not consider financial need if an individual has been determined eligible for Social Security benefits under Titles II or XVI of the Social Security Act.

**Table 1**  
**Service category descriptions and the number of individuals receiving services and expenditures within each category**  
**Federal fiscal year 2016**  
(Unaudited)

Service categories	Description	Number of individuals	Expenditures
Assessments	Includes educational, medical, psychological, and work habits and work tolerance assessments used for determining eligibility or vocational rehabilitation needs.	3,584	\$ 8,554,267
Diagnosis and treatment	Includes diagnosis and treatment for mental or emotional disorders; and physical restoration services, such as corrective surgery, dentistry, prosthetic and orthotic devices, and physical or occupational therapy.	796	5,791,766
Interpreter services	Includes sign language, oral interpreter services, and tactile interpreting services.	137	188,981
Job-related services	Includes job search and placement assistance, and job retention services.	3,345	4,563,715
Maintenance	Monetary support for a client's personal expenses, such as food, shelter, and clothing, that are greater than the client's normal expenses and necessitated by the client's participation in the Program.	219	344,516
Personal assistance	A range of services provided by one or more persons designed to assist a client perform daily living tasks on or off the job.	9	29,732
Rehabilitation Technology	Technological equipment or services, such as captioned videos, talking watches, telephone amplifiers, and vehicle modifications to assist clients improve in areas such as mobility, communications, hearing, and vision.	846	3,168,647
Transportation	Transportation expenses, such as training in the use of public transportation, that are necessary to enable an applicant or client to participate in a vocational rehabilitation service.	1,595	1,562,004
Vocational and other training	Includes training at universities, colleges, vocational schools, and technical institutes, and related costs such as tuition, training materials, and books.	4,491	28,198,434
Vocational rehabilitation counseling and guidance	Includes providing information and assistance to help the client in developing an employment outcome, identifying the vocational rehabilitation services needed to achieve the outcome, and selecting service providers.	156	161,472
Other	Other services provided not listed above including child care costs so that the client can participate in services; occupational licenses and customary occupational tools and equipment; and self-employment business consultant services.	1,721	838,958
<b>Total</b>		<b>16,899</b>	<b>\$53,402,492</b>

Source: Auditor General staff analysis of information from a draft report for federal fiscal year 2016 that the Department will submit to the federal government and other department-provided information, and 34 CFR 361.5, 361.48, and 361.52.

## Examples of vocational rehabilitation services

**Client 1:** This individual had a traumatic brain injury and established a vocational goal to become a social worker. As a part of her IPE, this individual received the following services:

- Neurorehabilitation services, including occupational therapy, adjustment to the disability, and orientation and mobility;
- Licensure exam study materials, and application and registration fees; and
- Transportation services.

**Client 2:** This individual had physical disabilities because of a motor vehicle accident. She established a vocational goal of becoming an occupational therapy assistant. As a part of her IPE, this individual received the following services:

- Tuition, books, and supplies;
- Assistive technology and aids;
- Reasonable accommodations at school and work; and
- Counseling and guidance.

Source: Auditor General staff analysis of department-provided case example information.

Arizona statute establishes the specific services for which the Department considers financial need (see textbox). In addition, in some cases, the Program must search for other means of paying for the services prior to spending program monies. Specifically, before providing most services, the Program must look for “comparable benefits,” which are services or benefits paid for, in whole or in part, by other federal, state, or local public agencies; by health insurance; or by employee benefits.<sup>7</sup> For example, federal regulations indicate that the Program cannot use federal program monies to pay for training or training services in an institution of higher education unless “maximum effort has been made” by the state program and the individual to secure grant funding to pay for some or all of the training.<sup>8</sup> See Finding 1 (pages 9 through 18), for more information related to developing additional staff guidance and oversight related to assessing comparable benefits and vocational training services at institutions of higher education.

**Financial need**—Arizona’s Program pays for the following services only when a client is determined to need financial assistance:<sup>1</sup>

- Physical restoration;
- Transportation;
- Occupational licenses;
- Customary occupational tools and equipment;
- Maintenance; and
- Training books and materials.

<sup>1</sup> See Table 1 (page 4) for more descriptive information on some of these services.

Source: Auditor General staff analysis of A.R.S. §23-506.

## Organization and staffing

The Program is overseen by an administrator and is located within the Department’s Division of Employment and Rehabilitation Services. According to department information, the Program had 402 full-time equivalent (FTE) filled and 104 vacant staff positions as of September 30, 2016. These staff provide program administration and client services through one of more than 40 department offices located throughout the State. Specifically:

- **Administration/support (133 filled, 21 vacant FTE)**—Administration staff oversee the Program’s day-to-day operations, while support staff develop policies and procedures, manage and monitor service contracts,

<sup>7</sup> 34 CFR 361.5(c)(8)(i)(A).

<sup>8</sup> 34 CFR 361.48(b)(6).

provide staff training, and support the Program's automated system, which is used to record client data, such as eligibility and disability information, case status information, and rehabilitation service costs.

- **Field offices (269 filled, 83 vacant FTE)**—Vocational rehabilitation counselors, supervisors, and program managers provide services and oversee clients' cases. These services include determining program eligibility, providing information and assistance to help eligible clients develop an employment outcome, identifying the vocational rehabilitation services needed to achieve the outcome, and selecting service providers. In addition, support staff at the field offices include rehabilitation technicians and purchasing technicians who assist counselors and direct service staff with completing the various tasks associated with procuring and providing services. In April 2016, one Phoenix-based office began piloting a team approach to serving clients. Under the team approach, different vocational rehabilitation counselors are assigned to complete a specific step of the process, such as eligibility, IPE development and implementation, or job development and placement instead of one vocational rehabilitation counselor completing all steps for a client. According to the Department, this team concept has been successfully implemented within the specialty population of services to the blind and visually impaired.

## Finance and budget

The Program receives both federal and state revenues. As shown in Table 2 (see page 7), during fiscal years 2014 through 2017, the Program received or is estimated to receive a total of between approximately \$87.6 million and \$139.5 million in program revenues, with federal revenue comprising the largest source of revenues. Specifically, it received or is estimated to receive between approximately \$68.1 million and \$108.3 million in federal program grant monies during fiscal years 2014 through 2017. In addition, during this same 4-year period, it received or is estimated to receive between approximately \$9.4 million and \$12.5 million in State General Fund appropriations.

Most of the Program's monies are spent on services for its clients with disabilities. Specifically, during fiscal years 2014 through 2017, the Program spent or estimates it will spend between approximately \$52.6 million and \$98.2 million on vocational rehabilitation services. The Program's administrative expenditures during this same period have ranged from or are estimated to be between approximately \$33.8 million and \$39.6 million, with the highest administrative expenditures being for payroll and related benefits.<sup>9</sup>

---

<sup>9</sup> The federal government does not establish a specific limit on administrative expenditures for this Program.

**Table 2**  
**Schedule of revenues and expenditures<sup>1</sup>**  
**Fiscal years 2014 through 2017**  
(Unaudited)

	2014 (Actual)	2015 (Actual)	2016 (Estimate)	2017 (Estimate)
<b>Revenues</b>				
Federal grants <sup>2</sup>	\$ 68,099,059	\$ 78,260,326	\$ 88,101,436	\$ 108,350,928
State General Fund appropriations	10,243,678	9,371,312	10,534,939	12,535,010
Other <sup>3</sup>	9,281,904	12,214,294	14,262,576	18,637,298
<b>Total revenues</b>	<b>87,624,641</b>	<b>99,845,932</b>	<b>112,898,951</b>	<b>139,523,236</b>
<b>Expenditures</b>				
<b>Client service expenditures</b>	<b>52,627,224</b>	<b>60,186,210</b>	<b>70,610,801</b>	<b>98,229,698</b>
<b>Administrative expenditures</b>				
Payroll and related benefits	24,180,448	26,576,297	25,873,365	28,136,410
Professional and outside services	2,699,410	2,663,029	3,710,225	3,943,332
Travel	308,977	298,600	292,423	424,899
Other operating	2,806,139	2,803,999	3,169,869	3,219,034
Furniture, equipment, and software	3,850,911	5,009,619	4,359,324	3,924,556
<b>Total administrative expenditures</b>	<b>33,845,885</b>	<b>37,351,544</b>	<b>37,405,206</b>	<b>39,648,231</b>
<b>Total expenditures</b>	<b>86,473,109</b>	<b>97,537,754</b>	<b>108,016,007</b>	<b>137,877,929</b>
<b>Excess of revenues over expenditures<sup>4</sup></b>	<b>\$ 1,151,532</b>	<b>\$ 2,308,178</b>	<b>\$ 4,882,944</b>	<b>\$ 1,645,307</b>

<sup>1</sup> This statement is presented on a budgetary basis in which expenditures are reported in the budget year incurred and includes information up to August 21, 2016.

<sup>2</sup> Amounts are primarily monies received from the U.S. Department of Education, Office of Special Education and Rehabilitative Services, Rehabilitation Services Administration.

<sup>3</sup> Amounts comprise monies from various sources, including transfers from other state and local government entities, for vocational rehabilitation services. For example, monies are received from the Division of Behavioral Health Services (BHS) under the Arizona Department of Health Services, or the Arizona Health Care Cost Containment System beginning in fiscal year 2017, and Arizona high schools and charter schools. Specifically, monies are received from BHS to provide enhanced and structured rehabilitation services for individuals diagnosed with a serious mental illness. Monies are also received from Arizona high schools and charter schools to provide vocational rehabilitation services to individuals with disabilities in preparing for and engaging in gainful employment.

<sup>4</sup> According to the Department, the excess of revenues over expenditures comprises unspent monies from revenues other than federal grants and State General Fund appropriations.

Source: Auditor General staff analysis of financial information provided by the Department through August 21, 2016, from its Financial Management Control System for fiscal years 2014 and 2015, and the State's Arizona Financial Information System and other financial information for fiscal years 2016 and 2017.





## Department should enhance processes for managing rehabilitation service costs and clients' progress

The Department of Economic Security (Department) should enhance its processes for managing its Vocational Rehabilitation Services Program's (Program) rehabilitation service costs and clients' progress. The Program provides vocational services to clients with disabilities in order to help them prepare for, enter into, or retain competitive integrated employment. However, the average amount of money the Department spends to rehabilitate clients is higher than comparable agencies, and the percentage of Arizona clients who achieve employment is lower than some comparable agencies. Although the Department has some important oversight processes, staff guidance, and training in place, these practices are too limited to effectively monitor rehabilitation service costs and clients' progress in the Program. As a result, the Department is not serving all of the eligible clients it could potentially serve. Therefore, the Department should take steps to improve its program oversight in several areas, including lowering the amount of rehabilitation service expenditures counselors can independently authorize, establishing reasonable expenditure and time limits for cases, and developing and using additional management reports, such as reports that show expenditures by case and length of time in the Program. In addition, the Department should clarify its policies and procedures in several areas and continue its efforts to enhance program training so that staff have a better understanding of how to assist clients and help manage program costs.

### Program works with clients to help them achieve employment

The Program's goal is to provide vocational services to clients with disabilities in order to help them prepare for, enter into, or retain competitive integrated employment (see textbox, page 1). To meet this goal, department program counselors (counselors) work with eligible clients to develop an Individualized Plan for Employment (IPE), which documents the client's specific employment goal and the steps and services needed to reach the goal. The Department's Vocational Rehabilitation manual (VR manual) includes the policies and procedures that counselors should use to guide their work. For example, the Department's procedures require counselors to contact clients at least every 90 days to monitor clients' progress in the Program and take appropriate action if a client is not making progress, such as readjusting the client's goal, modifying services, or closing the case.

One way in which counselors monitor a client's progress and continued participation in the Program is through intermediate objectives, which are all the major steps needed to achieve the employment outcome listed on the IPE and are required by department policy. For example, an intermediate objective may be that the client should attend an adult life skills group two times a week to improve communication and interpersonal skills until obtaining a job. Additionally, counselors are required to review invoices for client services to ensure that the services are being provided as required and are meeting the client's needs. While the client is pursuing his/her employment goal, the case remains open and the client receives IPE-related services. If the client achieves the employment goal listed on his/her IPE after receiving services and maintains employment for a minimum of 90 days, the client is considered successfully rehabilitated and the case is closed.

The counselor is the program employee who works most with the client, but program management is also required to be involved with various aspects of cases according to department policy, such as approving expenditures over a certain dollar limit, reviewing IPEs that meet certain criteria, and approving some services, such as vehicle

modifications. Further, the Department is responsible for monitoring the Program for overall costs and ensuring that it is serving as many clients as possible.

## Arizona had higher rehabilitation cost and lower rehabilitation rate than comparable agencies

A review of department program data and federal draft performance data identified that Arizona's federal fiscal year 2015 average cost per rehabilitation, i.e., the cost to rehabilitate a client who leaves the Program with an employment outcome, was higher than the national average for comparable agencies, and its rehabilitation rate was lower than the national average for comparable agencies. Additionally, the Department's expenditures for some clients who left the Program without an employment outcome in federal fiscal years 2014 and 2015 exceeded Arizona's federal fiscal year 2015 average rehabilitation cost. Specifically:

- **Arizona had higher rehabilitation cost than combined program agency average**—Arizona had the highest average cost per rehabilitation of the 32 comparable agencies (i.e., combined program agencies)—more than 2.5 times higher than the average—in federal fiscal year 2015, which is the most current data available. Arizona's Program, similar to the federal vocational rehabilitation services programs administered by 25 other states and 6 territories, is a combined program, meaning that it does not exclusively serve individuals with visual impairments or blindness.<sup>10</sup> According to federal fiscal year 2015 draft performance data provided by the U.S. Department of Education, Office of Special Education and Rehabilitative Services, Rehabilitation Services Administration, Arizona's average cost per rehabilitation was approximately \$16,200, but the national average for combined program agencies was approximately \$6,300 (see Figure 1, page 11).<sup>11,12</sup> Guam had the next highest average cost per rehabilitation of approximately \$13,100, followed by the U.S. Virgin Islands with an average cost of approximately \$11,600.
- **Arizona had lower rehabilitation rate than combined program agency average**—Although Arizona's rehabilitation rate was not the lowest of the combined program agencies, it was lower than the average for combined program agencies in federal fiscal year 2015. The rehabilitation rate is determined by the number of clients who received IPE-related services and exited the Program with an employment outcome out of the total number of all clients who received IPE-related services and exited the Program during the year. According to federal fiscal year 2015 draft performance data, Arizona's rehabilitation rate was approximately 51 percent, whereas the national average rehabilitation rate for combined program agencies was approximately 57 percent (see Figure 1). However, nine combined program agencies had rehabilitation rates that were lower than Arizona's. These rates ranged from approximately 29 percent (District of Columbia) to 50 percent (Illinois). Further, American Samoa had the highest rehabilitation rate of 100 percent, followed by North Dakota with a rehabilitation rate of approximately 71 percent.
- **Arizona had above-average costs for some clients who left without employment**—Although the federal government does not report average costs for clients who exit the Program without an employment outcome, auditors' analyses found that the Department also had some higher-than-average costs for these clients. Auditors analyzed data on the 10,526 department cases that closed during federal fiscal years 2014 and 2015 and found that 7,963 cases, or approximately 76 percent, left the Program without an employment outcome, and some of these cases had high expenditures. Specifically, 197 of the 7,963 clients who left the Program without employment, or nearly 2.5 percent, had program expenditures in excess of \$16,200—

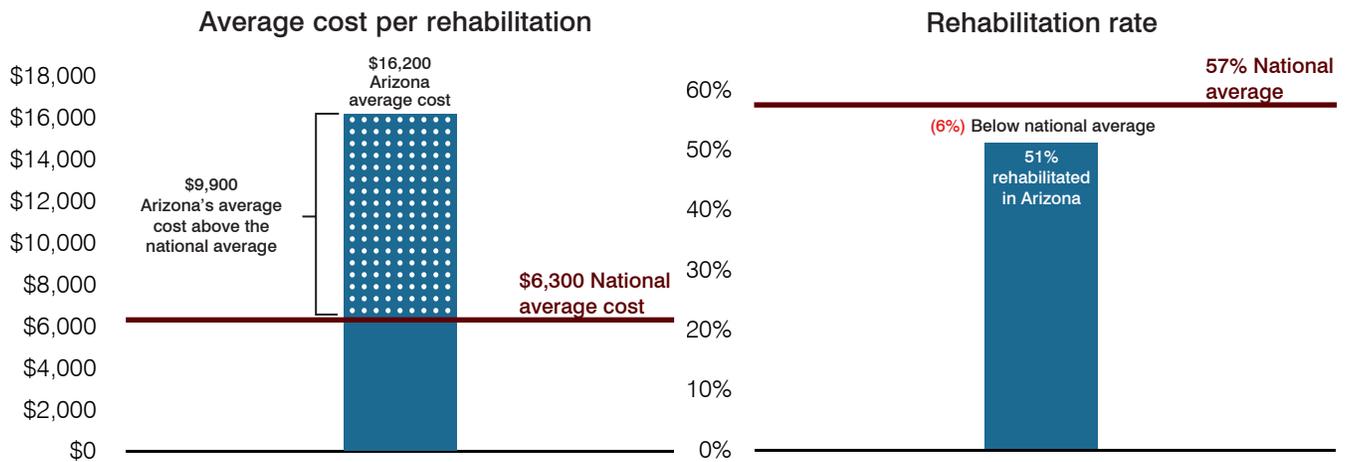
<sup>10</sup> In addition to states, the following territories are also included in the count of combined program agencies: American Samoa, District of Columbia, Guam, Northern Marianas, Puerto Rico, and the U.S. Virgin Islands.

<sup>11</sup> The federal calculation used to determine the average cost per rehabilitation is based only on the service expenditures for those clients who received IPE-related services and exited the Program with an employment outcome. The calculation does not include operating expenditures that the Program may have incurred for these clients over the life of their cases. In addition, the calculation does not include any costs for any of the clients who exited the Program during the same period without an employment outcome.

<sup>12</sup> Based on auditors' calculation, the average cost per rehabilitation for the 17 of the 32 combined program agencies under an order of selection in federal fiscal year 2015 was approximately \$6,550, approximately \$250 more than the average for all 32 combined program agencies. See the Introduction, page 2, for information on an order of selection state.

## Figure 1

### Comparison of Arizona's average cost per rehabilitation and rehabilitation rate against the national averages for combined program agencies Federal fiscal year 2015



Source: Federal fiscal year 2015 draft performance data provided by the U.S. Department of Education, Office of Special Education and Rehabilitative Services, Rehabilitation Services Administration.

Arizona's federal fiscal year 2015 average cost per rehabilitation for cases closed with an employment outcome. These expenditures included costs for client assessments and job-placement services. Additional analysis of these 197 client cases found that:

- 183 of these clients received IPE-related services, and 3 of the 183 cases had total expenditures over \$110,000.
- 14 of these clients did not receive IPE-related services, and 6 of the 14 cases had expenditures over \$32,000. Department program administrators state that for clients who have not reached the IPE stage, the Program spends money on items to determine whether a client is eligible, such as requesting medical records, transportation to assessments, and interpreter services.

## High program costs affect number of clients served

It is important for the Department to control its program costs and help as many clients as possible achieve an employment outcome. As indicated in the Introduction (see page 2), since fiscal year 2009, Arizona has not had sufficient resources to serve all its eligible clients and has implemented a waiting list. As of December 1, 2016, there were nearly 2,800 eligible clients on the waiting list. Auditors analyzed the waiting list data as of December 1, 2016, and found that the clients had been on the waiting list for an average of 3.5 years, with the time spent on the waiting list ranging from 2 days to over 7.5 years. Although the Program is receiving additional State General Fund and other monies in fiscal year 2017 to help serve additional clients, if the Department's rehabilitation costs were lower, it could serve more clients. For example, if Arizona's average cost per rehabilitation was the same as the national average for combined program agencies—approximately \$6,300—it could have paid for approximately 2,090 additional successfully rehabilitated cases in federal fiscal year 2015.<sup>13</sup> In addition, because the Program's goal is to help eligible clients to obtain or retain competitive integrated employment, it is also important for the Department to continuously work toward increasing its rehabilitation rate.

<sup>13</sup> Based on auditors' calculations, if Arizona's average cost per rehabilitation was in line with the average cost per rehabilitation for combined program agencies under an order of selection in federal fiscal year 2015—approximately \$6,550—then the Department could have paid for approximately 1,966 additional successfully rehabilitated cases in federal fiscal year 2015. For more information on an order of selection state, see the Introduction, page 2.

## Department lacks some oversight and training to effectively manage program costs and clients' progress

Although the Department has some policies and management reports for monitoring program cases, it lacks some of the necessary mechanisms to effectively manage program costs and clients' progress. Specifically, oversight of some areas, such as clients' costs or length of time in the Program, is too limited, and department program supervisors (supervisors) have not been trained on their role in helping counselors meet program requirements. Therefore, the Department should take steps to enhance its ability to manage program costs and monitor clients' progress by continuing its efforts to lower the amount of rehabilitation service expenditures counselors can authorize on their own. In addition, the Department should establish reasonable expenditure and time limits for cases and then use those limits to develop and implement additional management reports related to monitoring case costs and time in the Program. Further, the Department should analyze the data it already collects and use it to improve its program monitoring, such as analyzing case closure reasons. Finally, the Department should develop and implement training classes that are specific to supervisors and their role within the Program.

**Department's rehabilitation services expenditure authorization levels too high to manage costs**—The Department has rehabilitation service expenditure authorization levels in place for counselors and for supervisors, but they are too high to effectively manage program costs. Specifically, counselors are authorized to approve rehabilitation service expenditures up to \$25,000 total for a client's IPE.<sup>14</sup> After \$25,000 is reached, a supervisor must approve additional expenditures, up to \$50,000 total, after which regional program managers are also required to approve additional expenditures. However, the counselor expenditure authorization level is too high to adequately control program costs because supervisors are generally not required to be involved until IPE-related expenditures reach \$25,000, which is more than 1.5 times higher than Arizona's federal fiscal year 2015 average cost per rehabilitation—\$16,200—and nearly 4 times higher than the \$6,300 national average cost per rehabilitation for combined program agencies (see page 10). Auditors found that 270 of the 10,526 cases, approximately 2.6 percent, closed during federal fiscal years 2014 and 2015 had expenditures of at least \$25,000 during the life of the case.

Auditors contacted other states regarding their processes for managing their vocational rehabilitation programs and found that neither the Kansas Department for Children and Families, Rehabilitation Services, Vocational Rehabilitation, nor the Utah State Office of Rehabilitation, Division of Rehabilitation Services, have blanket authorization levels like the Department.<sup>15</sup> Rather, they both have lists of specific services/service categories and the amount that program staff can approve. For example, Utah's policy states that for dental restoration services, counselors can approve up to \$3,500 for the life of the case; supervisors can approve up to \$6,000 for the life of the case; and so on up to the district director.<sup>16</sup> Similarly, Kansas' policy states that counselors can approve \$3,000 for hearing aids/audiological devices, such as a doorbell amplifier, for the life of a case, and its program managers and administrators can approve \$2,000 or \$5,000 more, respectively. As of October 2016, department program administrators were developing a "service authorization threshold" guide that showed services by category; a service description, including items that would be covered by that service; and either a dollar limit or unit of service, such as one vision exam per case, that the counselor can approve. As of November 2016, the Department planned to develop and implement authorization levels for supervisors and managers as well. To more effectively manage program costs, the Department should continue its efforts to establish specific lower authorization levels for counselors, supervisors, and managers by service categories and move away from blanket authorization levels, such as counselors approving up to \$25,000 for a client's IPE expenditures.

**Department lacks reasonable limits for case costs and time frames**—Although federal regulations allow states to establish reasonable expenditure limits for clients and a reasonable time frame for clients to

<sup>14</sup> The \$25,000 authorization limit does not include costs associated with the case prior to an IPE being developed.

<sup>15</sup> Auditors selected three states for contact: Colorado, Kansas, and Utah, based on various factors including being a combined program agency or having undergone a recent performance audit (see Appendix A, pages a-1 through a-2, for more information about the state selection).

<sup>16</sup> Dental restoration services may be needed for a client's rehabilitation if his/her dental condition prevents employment due to missing teeth, severe decay, or chronic infections.

receive services, the Department has not established such limits.<sup>17</sup> As federally allowed, the Department should establish reasonable expenditure levels and time limits for program clients. To do so, the Department should analyze its rehabilitation services expenditure data to develop reasonable expenditure levels for the life of a case or expenditure levels at which a more detailed review of the case is required. According to the Department, starting in August 2016, it began biweekly meetings to analyze why certain cases cost so much. The Department could use the results of this process to develop reasonable expenditures for the life of the case or expenditure levels at which more detailed review of a case is required. Similarly, the Department should analyze its program data to establish reasonable time limits for a case to receive services and exit the Program or time frames at which a more detailed review of the case is required. Additionally, the Department should include the reasonable expenditure and time limits within its written guidance and add a reference to this guidance in its VR manual.

Once the Department has developed reasonable expenditure and time limits for cases, it should also develop and implement management reports that will allow it to monitor where its cases are relative to those limits. Although department program management receives monthly reports showing the program expenditures for the previous months, the reports show only the overall costs, such as total number of clients who received diagnostic/assessment services and the total cost for these services, but the reports do not distinguish the expenditures for each client or show clients that are approaching or are at or above a designated threshold, such as \$5,000. Management reports that focus on costs by case could help the Department determine whether additional oversight is needed to ensure expenditures are reasonable and controlled.

Similarly, management reports that focus on clients' length of time in the Program could assist the Department in assessing whether clients are making adequate progress and taking appropriate steps if adequate progress is not being made, such as adjusting the IPE or closing the case. Although the Department monitors whether it is meeting certain federally required time frames, such as developing an IPE within 90 days after eligibility, it does not have a report to monitor length of time that clients spend in the Program.<sup>18</sup> Auditors analyzed program data for cases closed in federal fiscal years 2014 and 2015 and found that clients who left the Program without employment were in the Program for a wide range of time—from as little as 2 days to more than 17 years.<sup>19</sup> Therefore, the Department should develop and implement management reports focusing on the case expenditures and time limits that it develops in order to better monitor these areas. Further, the Department should establish a specific process supported by appropriate procedures for using these management reports, including how frequently to generate the reports, who should review the information, and what actions to take based on the results.

### **Department does not analyze data to identify other areas where changes are needed—**

According to the Department, in August 2016, it began reviewing some cases based on expenditure levels, such as cases between \$25,000 to \$75,000. However, the Department does not analyze other program data it already collects, such as reasons why cases closed without an employment outcome, or the length of time cases spend in the Program to help identify other program changes that may be needed or areas for improvement. For example, auditors' analysis of the 10,526 cases that closed during federal fiscal years 2014 and 2015 found that 7,963 cases closed without an employment outcome. Further analysis of the 7,963 cases that closed without an employment outcome found that 3,746 cases, or 47 percent, closed because the Program was unable to locate or contact the client; and another 2,765 cases, or 35 percent, closed because the client was no longer interested in receiving services.<sup>20</sup> Reviewing this information could assist the Department in identifying additional actions

---

<sup>17</sup> 34 Code of Federal Regulations (CFR) 361.50 (c)(d).

<sup>18</sup> Federal regulations require that an individual's eligibility be determined within 60 days of application, unless the Department and applicant agree to an extension. The federal vocational rehabilitation services grant requires that an IPE be developed within 90 days of an individual being determined eligible, unless the Department and individual agree to an extension.

<sup>19</sup> The time spent in the Program includes any time the client may have spent on the waiting list.

<sup>20</sup> Prior to closing a case in which the client does not have an employment outcome due to loss of contact, counselors must attempt to contact a client at least three times using at least two different forms of communication, such as calling the client or mailing him/her a letter, unless the client has only been referred to the Program in which case the counselor can send a letter to the client. According to department program administrators, supervisors and counselors can generate a report from the Department's case management system to monitor whether counselors are contacting clients at least every 90 days. However, this is not required by policy, and department program administrators acknowledged that the report has some problems, such as not easily showing how often a client has been contacted.

it might need to take to help more clients achieve an employment outcome, such as increasing the required contact that counselors have with clients by reducing it from 90 to 60 days.

The Department's program case management system has a wealth of data about the clients it serves, the types of services provided, and case outcomes. To better manage program costs and help serve its clients, the Department should continue to review case costs and should establish a specific process for periodically analyzing its data, including the types of data to analyze, the frequency of the analyses, who to report the information to, and what type of actions to take in response to the analyses.

**Department lacks training specific to supervisors**—According to department program administrators, the Department does not provide any supervisory training for department program supervisors. Specifically, the Department lacks trainings that focus on the supervisors' role, including helping staff meet program requirements; approving services for cases over \$25,000; and ensuring that client IPEs are well-developed. Instead, department program administrators indicated that supervisors are encouraged to take the same training classes that are provided to new program counselors once they become supervisors, although this is not required. Without specific training, the supervisors may not be adequately prepared to assist counselors and clients or to monitor case expenditures and progress.

Therefore, the Department should develop and implement a training program for supervisors. These trainings should focus on the supervisors' role in helping staff meet program requirements and also cover any monitoring changes made to its policies and procedures or oversight processes resulting from this audit, such as reviewing and using its management reports to actively monitor case cost and length of time in the Program.

## Some staff guidance lacks details and staff training is limited

The Department's ability to effectively manage client costs and progress is also impacted by limited staff guidance and training. Although the VR manual provides guidance to staff on moving a case through the Program from eligibility to closure, auditors identified three areas where the VR manual lacks adequate policy references—assessments, comparable benefits, and intermediate objectives. Additionally, the VR manual lacks sufficient, detailed guidance for cases involving educational and vocational training. Therefore, the Department should enhance its policies and procedures for these areas to include more information, such as guidance from its training documents. Further, the training provided to counselors has been limited, and the Department should continue its efforts to improve its training and provide it to all staff.

**Policy references for assessments are insufficient**—The VR manual has some guidance on potential assessments that should be conducted for clients when determining what IPE services to provide, but this information is not referenced in the eligibility chapter or the IPE-development chapter. For example, the VR manual has general guidance on assessments to conduct and what information the assessments are intended to provide in a chapter regarding IPE-related services. However, assessments are used to help determine a client's eligibility, as well as the IPE-related services to provide to the client but the VR manual chapters regarding eligibility and IPE-development do not have guidance on the specific types of assessments to conduct for clients or refer counselors to the applicable policy sections that contain some guidance for, and examples of, assessments.<sup>21</sup> Additionally, the Department's training for eligibility provides additional guidance, including who is able to provide information that can be used to make an eligibility determination, such as a treating physician, but this is not referenced in the VR manual.

In one case auditors reviewed, it appeared that the Department may have been able to determine that the individual would not have been able to benefit from services sooner than it did if it had better guidance on assessments. Specifically, counselors sent this client to two neurorehabilitation specialists to assess whether the client would be able to maintain a job in a competitive environment even though the client had a previous assessment conducted by a neurorehabilitation physician, which stated the client was not ready to enter the

---

<sup>21</sup> Assessments are defined as services provided and activities performed to determine an individual's eligibility or priority category for the order of selection, and to determine the nature and scope of IPE-related services.

workforce. Department program administrators were unsure why the counselors sent the client to additional neurorehabilitation specialists and did not place the client directly into a trial work experience to determine if he could maintain employment in a competitive integrated environment.<sup>22</sup> Additional guidance regarding the types of assessments to conduct could potentially help the Department enhance its eligibility determinations. Therefore, the Department should add references to the applicable chapters as well as incorporate into or include a reference to the guidance from its training in the VR manual.

**Policy for documenting comparable benefits is insufficient**—The VR manual does not contain sufficient information about examples of potential comparable benefits that counselors should research or how counselors must document their search for comparable benefits. Comparable benefits are services or benefits paid for, in whole or in part, by other federal, state, or local public agencies; by health insurance; or by employee benefits. Auditors identified a case where the Department spent nearly \$167,000 on a client who, according to his application form, had private health insurance.<sup>23</sup> However, neither auditors nor department program administrators could find documentation of the search for comparable benefits within the client's file, so it was not possible to determine if the counselor investigated whether the client's health insurance would have covered the cost of his services. Therefore, based on auditors' review of guidance in other states, the Department should enhance its guidance for comparable benefits in two ways. Specifically:

- **Enhance comparable benefits guidance and increase frequency of searches**—The VR manual has some examples of where to search for comparable benefits scattered throughout various chapters, but auditors found that some other states have additional examples of comparable benefits. For example, Utah provides examples of comparable benefits to explore, including Medicare or Medicaid, the Veteran's Administration, and workers' compensation. Further, Colorado's Department of Labor and Employment, Division of Vocational Rehabilitation and Utah require counselors to search for comparable benefits when the IPE is modified, which is more frequently than Arizona's requirement to search for these benefits at the initial IPE development stage only. Therefore, to help ensure comparable benefits are thoroughly researched, the Department should revise its policies in the VR manual regarding comparable benefits to include additional examples. The Department should also develop and implement a policy requiring counselors to search for comparable benefits more frequently, such as when additional services are added to a client's IPE.
- **Enhance and require use of existing template and/or develop a new method to document comparable benefits**—Colorado and Utah require the outcome of the search for comparable benefits to be documented in a specific location, such as a case note or within the IPE, respectively.<sup>24</sup> Although department program administrators stated that there is a template that counselors can use to document the outcome of their research, department policy does not require that this form be used. Further, this template does not require the counselor to show what was done to search for comparable benefits or add a justification for not using comparable benefits. According to counselors auditors interviewed, some counselors would document the outcome in a case note within the client's electronic file, on the IPE, or in a note justifying the IPE. Therefore, to help ensure its efforts to identify comparable benefits are appropriately documented, the Department should develop and implement a policy within the VR manual requiring counselors to use the template, and/or continue its efforts to develop a new method, to document the outcome of comparable benefit searches. Additionally, the Department should modify its template and/or ensure its new method will capture specific information regarding comparable benefits, such as what was done to search for comparable benefits along with any justification for not using such benefits, develop and implement procedures on how to use the template and/or the new method, and include these procedures in the VR manual.

---

<sup>22</sup> According to the VR manual, a trial work experience is an exploration of a client's ability and capacity to perform work duties in a realistic, integrated work setting for the purposes of eligibility determination.

<sup>23</sup> Over \$160,000 of the \$167,000, or 96 percent, were monies that were spent to determine the client's eligibility for services, determine services to include on the IPE, or to diagnose and treat impairments.

<sup>24</sup> As of November 2016, Colorado is reviewing this policy to determine the most effective and efficient location for counselors to document the search for comparable benefits.

**Policy references for intermediate objectives are insufficient**—Intermediate objectives identify the major steps needed to achieve the employment outcome listed on the client’s IPE, are required by department policy, and should be used to monitor clients’ progress toward goals and continued participation in the Program. Although the VR manual provides some broad guidance on intermediate objectives, including that they be measurable and have specific time frames for achievement, it lacks examples and specific guidance on monitoring progress against these objectives. Additionally, one of the Department’s training modules for new program counselors contains additional guidance that is not reflected in the VR manual. Specifically, the training explains that counselors should use verbs to describe what the client or counselor needs to accomplish and should list the intermediate objectives in the order in which they need to be accomplished so that the client can meet his/her employment goal. For example, the client should (1) study for, take, and pass the exam to be a licensed social worker by December 31, 2017, and (2) pursue job opportunities, accept a position, and maintain employment as a licensed social worker. Therefore, the Department should revise its VR manual to include examples and additional guidance or add references to its training materials or other guidance documents regarding intermediate objectives, including how detailed the intermediate objectives should be written, what they are intended to cover, and the order in which they need to be accomplished.

**Department lacks sufficient guidance and oversight for educational and vocational training**—Educational and vocational training, particularly at higher education institutions (e.g., universities, colleges, community colleges, technical institutes, etc.) can be expensive, but the Department lacks adequate guidance and oversight for this area to help control costs and monitor clients’ progress. The Department has some policies regarding higher education, including that the client must apply for a Pell grant and that the Program generally will pay for training only at accredited, public Arizona institutions.<sup>25</sup> However, auditors’ review of Colorado, Kansas, and Utah’s policies and procedures regarding training at higher-education institutions identified additional guidance and oversight that would be helpful for the Department. Specifically:

- **Supervisory approval**—Utah requires supervisory approval for a client to attend a 4-year university, but the Department does not.
- **Enhance guidance for monitoring progress**—Colorado and Kansas have specific policies related to monitoring the progress of clients who are pursuing educational or vocational training. Specifically, Colorado requires clients to maintain at least a 2.0 grade point average or meet the requirements of their specific training program to continue their educational or vocational training program.<sup>26</sup> In addition to requiring clients to maintain at least a 2.0 grade point average, Kansas also requires that the IPE list the specific ways that progress will be monitored. Although the Department’s VR manual states that clients must maintain “satisfactory progress” as determined by the educational institution, it does not provide guidance on the specific ways that the Department will monitor this progress.
- **More guidance on supplies**—Although the VR manual states that the Department will pay for supplies required for courses, other states have more guidance regarding required supplies. For example, Colorado has a policy regarding renting or leasing equipment needed for a client’s vocational training when renting or leasing is adequate to meet the individual’s training needs, unless the total rental/lease costs exceed purchase costs, and purchasing used textbooks. Auditors reviewed a case in which the Department purchased two computers for a client, in addition to textbooks and other supplies, while she was attending college. This client had expenditures totaling over \$25,000.

Therefore, the Department should develop and implement additional guidance in its VR manual to require supervisory approval for educational and vocational training. Further, the Department should enhance its guidance within the VR manual to define how satisfactory progress within an educational or vocational training program will be determined, such as through a specific grade point average, and require that the client’s IPE

<sup>25</sup> The Program will not pay costs for private institutions unless there is a disability-related reason or the program of study is not offered at a public Arizona institution.

<sup>26</sup> If satisfactory performance is not achieved in any single reporting period, Colorado’s policy allows the program to approve continuation of the training program for only one additional period to provide the client the opportunity to meet the satisfactory performance level required for graduation.

include the specific ways that the Department will monitor this progress. Finally, the Department should develop additional policies and procedures surrounding the purchase of equipment and supplies related to educational and vocational training.

**Training for counselors is beneficial but has been limited**—Although the Department has training materials that are beneficial in helping new counselors understand the process for working with clients, the training is in the process of being revised, some counselors have not received it, and, as indicated above, this training material is not included in the VR manual. According to department program administrators, the Department is revising its core training classes for new staff and had revised and implemented 5 of its 15 core classes as of October 2016. These 5 core trainings include a class on determining program eligibility and 1 on developing intermediate objectives for the IPE. For example, the training on determining eligibility provides guidance on reviewing documentation of disabilities; conducting assessments of clients, if needed; and relying on existing records, such as assessments that were previously conducted, including examples of who can provide reliable documentation for the determination, such as a treating physician. However, the Department did not provide training between January 2014 and August 2015 while these classes were under revision. Therefore, program counselors hired during that time frame did not receive any initial staff training, so they may be unaware of this information altogether. According to the Department, 46 counselors were hired during this time frame and are still with the Department as of December 2016. Further, although the training materials have useful guidance for counselors, the information from the trainings is not included in the VR manual.

The Department should continue to revise its training and develop and implement additional staff training. Specifically, the Department should continue its efforts to revise the remaining 10 initial staff training core classes. In addition, the Department should develop additional trainings to cover any changes made to its policies and procedures or oversight processes resulting from this audit. For example, the Department should provide training to counselors on approving services and monitoring clients who are pursuing vocational training and how to use the comparable benefits template and/or new method. As classes are completed, it should ensure that all staff are provided with these trainings.

## Recommendations

- 1.1. The Department should continue its efforts to establish specific lower authorization levels for counselors, supervisors, and managers by service categories and move away from blanket authorization levels, such as counselors approving up to \$25,000 for a client's IPE expenditures.
- 1.2. To better monitor case costs and the time that clients spend in the Program, the Department should:
  - a. Analyze its rehabilitation services expenditure data to establish reasonable expenditure levels for the life of a case or expenditure levels at which a more detailed review of the case is required;
  - b. Analyze its program data to establish reasonable time limits for the case to receive services and exit the Program or time frames at which a more detailed review of the case is required; and
  - c. Include the reasonable expenditure and time limits within its written guidance and add a reference to this guidance in the VR manual.
- 1.3. Once the Department has established its reasonable expenditure and time limits for cases, it should:
  - a. Develop and implement management reports that will allow the Department to monitor where its cases are relative to the expenditure levels and time limits; and
  - b. Establish a specific process supported by appropriate procedures for using these management reports, including how frequently to generate the reports, who should review the information, and what actions to take based on the results.
- 1.4. To better manage program costs and help serve its clients, the Department should continue to review case costs and should establish a specific process for periodically analyzing its data, including the types of data

to analyze, the frequency of the analyses, who to report the information to, and what type of actions to take in response to the analyses.

- 1.5. To improve the guidance for counselors on conducting assessments, the Department should add references to the applicable VR manual chapters as well as incorporate into or include a reference to the guidance from its training on eligibility.
- 1.6. To help ensure counselors thoroughly research and adequately document their efforts to identify comparable benefits, the Department should:
  - a. Revise its policies in the VR manual to include more examples of comparable benefits;
  - b. Develop and implement a policy to require counselors to search for comparable benefits more frequently, such as when additional services are added to an IPE;
  - c. Develop and implement a policy within the VR manual requiring counselors to use the Department's template and/or continue its efforts to develop a new method to document the search for and outcome of comparable benefits;
  - d. Modify the template and/or develop the new method to capture the specific information regarding comparable benefits, such as what was done to search for comparable benefits along with any justification for not using such benefits;
  - e. Develop and implement procedures regarding how to use the template and/or the new method; and
  - f. Include these procedures in the VR manual.
- 1.7. The Department should revise its VR manual on intermediate objectives by including examples and additional guidance, or references to the material covered in its staff training or other guidance documents, including how detailed the intermediate objectives should be written, what they are intended to cover, and the order in which they need to be accomplished.
- 1.8. To help better monitor its costs, the Department should develop and implement additional guidance in the VR manual for educational and vocational training by:
  - a. Requiring supervisory approval for clients pursuing educational or vocational training;
  - b. Enhancing its guidance within the VR manual to define how satisfactory progress in an educational or vocational training program will be determined, such as through a specific grade point average, and require that the client's IPE include the specific ways that the Department will monitor this progress; and
  - c. Developing additional policies and procedures surrounding the purchasing of related equipment and supplies, such as leasing equipment or purchasing used textbooks.
- 1.9. To help ensure counselors and supervisors are trained, the Department should continue to revise its training and develop and implement additional staff training by:
  - a. Developing and implementing supervisory training that focuses on the supervisors' role in helping staff meet program requirements and covers any monitoring changes made to the Department's policies and procedures resulting from this audit, such as reviewing and using its management reports to actively monitor case cost and length of time in the Program;
  - b. Continuing its efforts to revise its remaining ten initial staff training core classes;
  - c. Developing additional trainings to cover any changes made to the Department's policies and procedures or oversight processes resulting from this audit; and
  - d. Ensuring that all staff are provided with these trainings.



## Methodology

Auditors used various methods to address the audit's objective including reviewing federal and state laws and regulations, interviewing Arizona Department of Economic Security (Department) management and staff, and reviewing department policies and procedures and website information related to the Vocational Rehabilitation Services Program (Program). Auditors also used the following specific methods to address the audit's objective:

- To develop information for the report's Introduction, auditors obtained information from various sources. These sources included department management reports, such as its *Open Cases at Month End* report for October 31, 2016; and a draft version of a report the Department prepares and submits to the federal government. Auditors also analyzed data for the 10,526 cases the Department closed during federal fiscal years 2014 and 2015. In addition, auditors analyzed unaudited department-provided program financial information for fiscal years 2014 through 2017, including financial information from its Financial Management Control System and the State's Arizona Financial Information System.
- To determine whether the Department effectively managed program rehabilitation service costs and clients' progress, auditors obtained and analyzed various program data and reports. Specifically:
  - To compare Arizona's average cost per rehabilitation and rehabilitation rate to other states' programs and assess the number of additional clients the Department could have served if its rehabilitation costs were the same as the national average, auditors obtained and analyzed draft performance data for federal fiscal year 2015 provided by the U.S. Department of Education, Office of Special Education and Rehabilitative Services, Rehabilitation Services Administration.
  - To identify additional program results, such as costs for clients who leave the Program without obtaining employment or length of time in the Program, auditors obtained and analyzed data for the 10,526 cases closed by the Department during federal fiscal years 2014 and 2015.
  - To help understand the Program and identify some potential reasons for high-cost or lengthy cases, auditors conducted an in-depth review of the electronic case files for 7 of the 10,526 cases that closed during federal fiscal years 2014 and 2015. Specifically, auditors reviewed 3 cases with expenditures over \$100,000; 2 cases that had expenditures from the 4-year-college service category; 1 case that closed after the client was determined eligible but before signing an Individualized Plan for Employment (IPE); and 1 case that showed the client did not have a significant disability. Auditors reviewed these clients' electronic files for items such as the IPE, including the beginning and ending employment goals and projected costs; total expenditures; and whether these clients exited with or without an employment outcome.
  - To identify areas where the Department could enhance its oversight related to program costs and client progress, auditors obtained and reviewed management reports; reviewed the Department's policy and procedure manual; assessed the Department's training provided to department supervisors and counselors; observed staff; and conducted interviews with department program administrators and staff. Additionally, auditors contacted other states—Colorado, Kansas, and Utah—regarding their process for developing intermediate objectives; searching for comparable benefits; approving services;

supervisory oversight; and monitoring cases for expenditures and time spent in the program. Auditors also reviewed these states' policies and procedures.<sup>27</sup>

- To assess the reliability and accuracy of the Program's electronic case management data, auditors conducted interviews with department staff regarding controls over the Program's electronic case management system; reviewed a manual on electronic data requirements; conducted electronic data validity tests of various data elements; and compared the data auditors obtained from the Department for cases closed during federal fiscal years 2014 and 2015 to information published by the U.S. Department of Education, Office of Special Education and Rehabilitative Services, Rehabilitation Services Administration. Auditors determined that the data was sufficiently reliable for the audit's purposes.
- To assess the Department's internal controls over rehabilitation service costs and clients' progress, auditors reviewed the Department's policies and procedures for the Program, including policies and procedures for developing intermediate objectives, searching for comparable benefits, approving services for clients, and supervisory oversight; reviewed case files and compared them to requirements outlined in policies and procedures; interviewed department program administrators and staff; and reviewed and analyzed department-prepared data and prior audit reports. Auditors' conclusion on these internal controls are reported in Finding 1 of the report.

Auditors conducted this performance audit of the Program in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and staff express appreciation to the Department's interim director, management, and staff for their cooperation and assistance throughout the audit.

---

<sup>27</sup> Auditors selected Colorado, Kansas, and Utah, based on various factors, including being a combined program agency; being under an order of selection as of federal fiscal year 2015; having undergone a recent performance audit; having programs of similar size to Arizona or a larger program with a lower average cost per rehabilitation; and geographical similarity. For a definition of combined program agency and order of selection, see the Introduction, page 2.

# AGENCY RESPONSE



DEPARTMENT OF ECONOMIC SECURITY

*Your Partner For A Stronger Arizona*

Douglas A. Ducey  
Governor

Henry Darwin  
Interim Director

January 18, 2017

Ms. Debra K. Davenport, Auditor General  
Office of the Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

The Department of Economic Security appreciates the opportunity to provide a response to the Vocational Rehabilitation Program Audit conducted by your office that was received on January 10, 2017. The Department is committed to continuous quality improvement, transparency, and accountability.

Attached is the Department's responses to your finding and recommendations. We look forward to sharing our progress in implementing these recommendations.

Sincerely,

Henry Darwin  
Interim Director

Enclosure: DES Vocational Rehabilitations Response

**Finding 1:** Department should enhance processes for managing rehabilitation service costs and clients' progress

**Recommendation 1.1:** The Department should continue its efforts to establish specific lower authorization levels for counselors, supervisors, and managers by service categories and move away from blanket authorization levels, such as counselors approving up to \$25,000 for a client's IPE expenditures.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Department's Vocational Rehabilitation Services Program (Program) recognizes that it is most efficient to minimize unnecessary steps in a process and have control at the lowest level possible, but also that checks and balances are appropriate. To that end, we will develop a risk matrix to determine services that are most likely to exceed basic thresholds or have significant cost implications and implement review thresholds where appropriate to better monitor expenditures. Additionally, we will create a review threshold for the total investment in services for a specific client. The threshold may be different for clients in different circumstances; i.e. blind and visually impaired, traumatic brain injuries, most significantly disabled, etc.

**Recommendation 1.2:** To better monitor case costs and the time that clients spend in the Program, the Department should:

**Recommendation 1.2a:** Analyze its rehabilitation services expenditure data to establish reasonable expenditure levels for the life of a case or expenditure levels at which a more detailed review of the case is required;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program is in agreement with the recommendation to establish reasonable expenditure thresholds and review requirements based on the life of the case and/or expenditure levels. The Program is precluded from placing absolute dollar limits on specific service categories or on the total services provided to an individual per 34 CFR 361.50 (c). The Program is also precluded from establishing absolute time limits on the provision of specific services or on the provision of services to an individual per 34 CFR 361.50(d)(2). As described in the previous response, we will work within these parameters to create reasonable review thresholds throughout Program management.

**Recommendation 1.2b:** Analyze its program data to establish reasonable time limits for the case to receive services and exit the Program or time frames at which a more detailed review of the case is required; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program is in agreement with the recommendation to establish reasonable time periods for the provision of services and establish review requirements based on the life of the case. Reasonable time periods will not be absolute, nor so short as to effectively deny an individual a necessary service, and must permit exceptions in order to address individual needs as required by 34 CFR 361.50 (d)(1).

**Recommendation 1.2c:** Include the reasonable expenditure and time limits within its written guidance and add a reference to this guidance in the VR manual.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program is in agreement with the recommendation to establish reasonable time limits and expenditure thresholds. Time limits and expenditure thresholds may be developed, but no absolute values can be placed on service expenditures or time in service per 34 CFR 361.50. The Program will also utilize a central location where all staff can access guidance materials. To the extent possible, the Program will incorporate the new thresholds into the case management system to ensure consistent adherence to the thresholds.

**Recommendation 1.3:** Once the Department has established its reasonable expenditure and time limits for cases, it should:

**Recommendation 1.3a:** Develop and implement management reports that will allow the Department to monitor where its cases are relative to the expenditure levels and time limits; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Over the past six months the Program has been developing ad hoc reports to extract and portray relevant cost and duration information from the case management system. The Program will continue to standardize and use these reports as a routine practice in ongoing program evaluation.

**Recommendation 1.3b:** Establish a specific process supported by appropriate procedures for using these management reports, including how frequently to generate the reports, who should review the information, and what actions to take based on the results.

Department Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: Facilitated by deployment of the Arizona Management System, the Program is establishing new data utilization processes that promote frequent review, planning, action, evaluation and standardization. In order to expedite review of information, the Program will establish standard work requirements and continue to enhance and standardize management reports for routine use and review.

**Recommendation 1.4:** To better manage program costs and help serve its clients, the Department should continue to review case costs and should establish a specific process for periodically analyzing its data, including the types of data to analyze, the frequency of the analyses, who to report the information to, and what type of actions to take in response to the analyses.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation and will utilize its Business Intelligence Unit to continue to review case costs and analyze its data in the methods identified in the response to 1.2c and 1.3b.

**Recommendation 1.5:** To improve the guidance for counselors on conducting assessments, the Department should add references to the applicable VR manual chapters as well as incorporate into or include a reference to the guidance from its training on eligibility.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation and will enhance the policy manual by adding information on when and how assessments can be provided during eligibility determination. The Program will also utilize a central location where all staff can access guidance materials, which outline reasonable expenditure and time limits on assessment and eligibility. The Program will also create a one-page reference guide for each VR counselor to describe frequently used policies and other pertinent information.

**Recommendation 1.6:** To help ensure counselors thoroughly research and adequately document their efforts to identify comparable benefits, the Department should:

**Recommendation 1.6a:** Revise its policies in the VR manual to include more examples of comparable benefits;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation to incorporate more examples of comparable benefits into the VR manual, as well as in the consolidated reference information for each counselor.

**Recommendation 1.6b:** Develop and implement a policy to require counselors to search for comparable benefits more frequently, such as when additional services are added to an IPE;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program is in the process of deploying the Arizona Management System, which includes an evaluation of the current process and the creation of a more efficient and effective "future process". In the future process, the Program will incorporate the routine evaluation of comparable benefits. In the meantime, the Program will create communication materials and a brief training to ensure consistent review of comparable benefits.

**Recommendation 1.6c:** Develop and implement a policy within the VR manual requiring counselors to use the Department's template and/or continue its efforts to develop a new method to document the search for, and outcome of, comparable benefits;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation and will amend the VR manual to require documentation of the search for and outcome of comparable benefits. Additionally the Program will continue to explore new methods to document the search for and outcome of comparable benefits.

**Recommendation 1.6d:** Modify the template and/or develop the new method to capture the specific information regarding comparable benefits, such as what was done to search for comparable benefits along with any justification for not using such benefits;

Department Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: Documentation regarding the search for comparable benefits and justification for not using such benefits is currently required. The Program will utilize training, communication, and case reviews to ensure consistent application of this standard.

**Recommendation 1.6e:** Develop and implement procedures regarding how to use the template and/or the new method; and

Department Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: The Program will evaluate the most efficient way to ensure consistent capturing of the relevant information. This may include utilization of a specific template, but also may include other standardized options.

**Recommendation 1.6f:** Include these procedures in the VR manual.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: When a method to capture comparable benefit information is finalized, the Program will ensure that it is appropriately described in the policy manual.

**Recommendation 1.7:** The Department should revise its VR manual on intermediate objectives by including examples and additional guidance, or references to the material covered in its staff training or other guidance documents, including how detailed the intermediate objectives should be written, what they are intended to cover, and the order in which they need to be accomplished.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: In order to ensure clarity and conciseness in the policy manual, the Program will develop written guidance and provide a link to the written guidance directly in the manual. We recognize the importance of the information and will utilize a central location where all staff can access guidance materials.

**Recommendation 1.8:** To help better monitor its costs, the Department should develop and implement additional guidance in the VR manual for educational and vocational training by:

**Recommendation 1.8a:** Requiring supervisory approval for clients pursuing educational or vocational training;

Department Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: The Program agrees with the recommendation and, as described previously, is in the process of implementing review thresholds where appropriate including those which will address educational or vocational training.

**Recommendation 1.8b:** Enhancing its guidance within the VR manual to define how satisfactory progress in an educational or vocational training program will be determined, such as through a specific grade point average, and require that the client's IPE include the specific ways that the Department will monitor this progress; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation and will enhance the VR manual to define how satisfactory progress in an educational or vocational training program will be determined. This will ensure consistent review of client progress.

**Recommendation 1.8c:** Developing additional policies and procedures surrounding the purchasing of related equipment and supplies, such as leasing equipment or purchasing used textbooks.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Per federal regulation, the Program is required to provide each client with the tools necessary to increase the probability of success. Occasionally, books and tools are believed to be necessary initially, but are ultimately deemed unnecessary. The Program will develop additional policies and procedures surrounding the purchasing of related equipment and supplies, such as leasing equipment or purchasing used textbooks in order to minimize the incidences of this issue.

**Recommendation 1.9:** To help ensure counselors and supervisors are trained, the Department should continue to revise its training and develop and implement additional staff training by:

**Recommendation 1.9a:** Developing and implementing supervisory training that focuses on the supervisors' role in helping staff meet program requirements and covers any monitoring changes made to the Department's policies and procedures resulting from this audit, such as reviewing and using its management reports to actively monitor case cost and length of time in the Program;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program recognizes the need to continue to develop and strengthen the skills of front-line supervisors. The Program will work with the Department's Office of Professional Development to develop and implement supervisory training that focuses on the supervisors' role in helping staff meet program requirements and covers any monitoring changes made to the Department's policies and procedures resulting from this audit.

**Recommendation 1.9b:** Continuing its efforts to revise its remaining ten initial staff training core classes;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation and will continue to work with the Office of Professional Development to revise its remaining ten initial staff training core classes.

**Recommendation 1.9c:** Developing additional trainings to cover any changes made to the Department's policies and procedures or oversight processes resulting from this audit; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation and will continue to work with the Office of Professional Development to develop additional trainings to cover any changes made to the Department's policies and procedures or oversight processes regardless of the reason for the change. As described previously, the Program will also incorporate many of the performance audit concepts into the Programs reference document for VR staff.

**Recommendation 1.9d:** Ensuring that all staff are provided with these trainings.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Program agrees with the recommendation and will continue to work with the Office of Professional Development to ensure that all staff are provided with these trainings.

